

Message Text

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62

ACTION EUR-25

INFO OCT-01 AF-10 ARA-11 IO-12 ADP-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-10

NSAE-00 RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 SS-15 NSC-10 L-03 H-02 TAR-02 AGR-20

RSR-01 /209 W

----- 055647

R 121940 Z APR 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5055

INFO AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY ADDIS ABABA

AMEMBASSY BAMAKO

AMEMBASSY BANGUI

AMEMBASSY BATHURST

AMEMBASSY BLANTYRE

AMEMBASSY BRIDGETOWN

AMEMBASSY BUJUMBURA

AMEMBASSY COTONOU

AMEMBASSY DAKAR

AMEMBASSY DAR ES SALAM

AMEMBASSY FORT LAMY

AMEMBASSY FREETOWN

AMEMBASSY GABORONE

AMEMBASSY KAMPALA

AMEMBASSY KIGALI

AMEMBASSY KINGSTON

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LOME

AMEMBASSY LUSAKA

AMEMBASSY MASERU

AMEMBASSY MBABANE

AMEMBASSY MOGADISCIO

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AMEMBASSY NAIROBI
AMEMBASSY NIAMEY
AMEMBASSY NOUAKCHOTT
AMEMBASSY OUAGADOUGOU
AMEMBASSY PORT LOUIS
AMEMBASSY PORT OF SPAIN
AMEMBASSY SUVA
AMEMBASSY TANANARIVE
AMEMBASSY YAOUNDE
AMEMBASSY BONN
AMEMBASSY BRUSSELS UNN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA
USMISSION OECD PARIS UNN

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E. O.11652: N/ A

TAGS: ETRD, XA, XL, EEC

SUBJECT: EC POLICY RE LDC ASSOCIATION

REF: A. EC BRUSSELS 1993 (NOTAL)

B. EC BRUSSELS 1602 (NOTAL)

C. EC BRUSSELS A-145 (NOTAL)

D. EC BRUSSELS 1933 (NOTAL)

1. SUMMARY: THE RESULTS OF OUR LATEST DISCUSSION WITH THE EC COMMISSION LEAD US TO CONCLUDE THAT, FOR THE PRESENT AT LEAST, THE DENIAU PROPOSAL FOR SO- CALLED FREE TRADE AREAS IS AS FAR AS THE COMMISSION IS LIKELY TO GO AT THIS TIME IN MEETING OUR OBJECTIONS TO REVERSE PREFERENCES WITH PRESENT OR FUTURE ASSOCIATES IN THE SOUTHERN MEDITERRANEAN, AFRICA, AND THE CARIBBEAN. UNDER THESE CIRCUMSTANCES, WE CONSIDER IT IMPORTANT THAT US VIEWS BE PRESENTED TO THE EC MEMBER STATES AND THE LDCS CONCERNED. THE TIMING SHOULD
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TAKE ACCOUNT OF KEY FORTHCOMING MEETINGS BEGINNING WITH

THE MAY 9-13 ABIDJAN CONFERENCE AND THE MAY 14-15 EC
COUNCIL SESSION WHICH WILL CONSIDER THE MEDITERRANEAN AND

MAY ALSO BEGIN CONSIDERATION OF THE YAOUNDE PROBLEM.
THIS MESSAGE REPORTS USEC RECOMMENDATIONS REGARDING THE
POSITION THAT MIGHT BE TAKEN. END SUMMARY.

2. OUR CONCLUSION FROM THE INFORMAL TALKS WITH KEY
COMMISSIONERS AND SENIOR OFFICIALS THIS WEEK (REF A)
IS THAT THE COMMISSIONS NOT REPEAT NOT LIKELY TO GO
FURTHER AT THIS TIME IN MODIFYING ITS APPROACH TO THE
FORTHCOMING NEGOTIATIONS WITH THE PRESENTLY ASSOCIATED
LDCS AND THE COMMONWEALTH " ASSOCIABLES." THE DENIAU
PRESENTATION TO CASEY (REF B) WHICH REFLECTED THE
COMMISSION MEMORANDUM TO THE COUNCIL (REF C), THE SOAMES
SPEECH OF APRIL 5 AND THE CLARIFICATIONS GIVEN TO
AMBASSADOR MALMGREN (REF A) REPRESENT THE MAXIMUM
EFFORT THE COMMISSION WILL MAKE NOW IN MEETING THE US
POSITION ON THE PREFERENCE ISSUE. ANY FURTHER CHANGES
IN THE ASSOCIATION FORMULA WILL, IN OUR VIEW, ONLY COME
OUT OF DISCUSSIONS WITH THE MEMBER STATES, DISCUSSIONS
IN THE COUNCIL OF MINISTERS OR IN THE NEGOTIATIONS WITH
THE PRESENT AND FUTURE ASSOCIATED STATES. THE COMMISSION
SEEMS SATISFIED THAT THEIR PRESENT PROPOSALS (1) GO
SOME WAY TOWARD RESPONDING TO US OBJECTIONS TO THE
TARIFF PREFERENCES BUT, MORE IMPORTANTLY, (2) ACHIEVE
THE MAJOR OBJECTIVE OF BRINGING ALL THE ASSOCIATED
STATES AND ASSOCIA
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5. ONE OF THE MAIN POINTS WE SHOULD MAKE CLEAR TO THE EC MEMBER STATE GOVERNMENTS AND TO THE LDCS CONCERNED IS THAT THE US DOES NOT ACCEPT THAT TRUE FREE TRADE AREAS ARE POSSIBLE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES. ACCORDINGLY, UNDER THE PROPOSED US GENERALIZED PREFERENCE SCHEME, LDCS WHICH GRANT REVERSE PREFERENCES TO OTHER DEVELOPED COUNTRIES EVEN IF UNDER THE GUISE OF "FREE TRADE AREAS" WOULD BE EXCLUDED FROM BENEFICIARY STATUS. ALSO, AS WE SEE IT, THE SO-CALLED FREE TRADE AREA APPROACH INVOLVES RECIPROCITY AND THEREFORE SEEMS TO BE INCONSISTENT WITH THE LEGON PRINCIPLES WHICH INCLUDE THE STATEMENT THAT "IN ANY NEW RELATIONSHIP AFRICAN COUNTRIES SHOULD BE ALLOWED TO OBTAIN LIBERAL ACCESS TO THE EEC MARKET ON A BASIS ON NON-RECIPROCITY." SOME COMMUNITY OFFICIALS HAVE SUGGESTED THAT FISCAL DUTIES, APPLIED ON A NON DISCRIMINATORY BASIS BY THE LDCS MIGHT REPLACE BOTH THE PRESENT PREFERENTIAL TARIFF RATES (REVERSE PREFERENCES) APPLIED TO THE LIMITED OFFICIAL USE

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COMMUNITY AND THE MFN TARIFF RATES APPLIED TO THIRD COUNTRIES INCLUDING THE US. THIS SUGGESTION MIGHT OFFER A WAY OUT OF THE PRESENT DIFFICULTY BUT IT IS BOTH CUMBERSOME AND COMPLICATED. IN ANY CASE THE US IS NOT PREPARED TO NEGOTIATE FOR THE ELIMINATION OF DISCRIMINATION.

6. SHOULD THE LDCS OR THE EC GOVERNMENTS ASK HOW IT WILL BE POSSIBLE TO RETAIN SPECIAL PREFERENCES IN THE ABSENCE OF "FREE TRADE AREAS" WE MIGHT ANSWER THAT THE US CONSIDERS THAT THE LEGAL ASPECTS OF THE MATTER ARE PRESENTLY IN DISPUTE AND COULD NOT BE RESOLVED BY THE MODIFIED PRESENTATION OF THE FTA APPROACH AS CURRENTLY PRESENTED BY THE EC COMMISSION. THE US HAS SUGGESTED TO THE COMMISSION A PRAGMATIC EXAMINATION OF THE LEGAL ISSUE AS WELL AS THE SPECIAL TRADE PROBLEMS WHICH MAY ARISE FOR A LIMITED NUMBER OF PRODUCTS AS THE RESULT OF PREFERENTIAL TREATMENT FOR THE LDCS.

7. AS THE NEXT STEP IN OUR CAMPAIGN AGAINST THE PERPETUATION OF THE EC PREFERENCE (OR "FREE TRADE AREA") ARRANGEMENTS WITH CERTAIN LDCS, WE RECOMMEND THAT THE EC MEMBER STATES AND THE DEVELOPING COUNTRIES WHICH WILL BE INVOLVED IN THE YAOUNDE III NEGOTIATIONS BE INFORMED OF THE RESULTS OF OUR RECENT DISCUSSIONS WITH THE COMMISSION, PARTICULARLY THE CASEY/ SOAMES TALKS (REF B) AND THE MALMGREN FOLLOW-UP (REF A). INSTRUCTIONS, TO OUR EMBASSIES TO PERFORM THIS TASK AND TO MAKE THE POINTS OUTLINED ABOVE, SHOULD BE TIMED FOR MAJOR IMPACT ON THE EC COUNCIL OF MINISTERS DISCUSSIONS

IN MAY AND JUNE AND THE LDC MEETING IN ABIDJAN MAY 9-13.

8. REFTELS BEING REPEATED TO POSTS IN ASSOCIATED
COMMONWEALTH ASSOCIABLE COUNTRIES AS APPROPRIATE.
GREENWALD

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*** Current Classification *** LIMITED OFFICIAL USE

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Disposition Date: 28 MAY 2004
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TAGS: ETRD, XA, XL, EEC
To: ABIDJAN
ACCRA
ADDIS ABABA
BAMAKO
BANGUI
BATHURST

BLANTYRE

EUR

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